

BP NORTH AMERICA

**June 11, 2010
9:00 a.m. CT**

MODERATOR: Good morning. Welcome to today's briefing. We'll follow the standard format today. Admiral [Thad] Allen will give the daily update and then we'll take 10 minutes of questions from the floor and 10 minutes from the phone. Admiral?

ADMIRAL ALLEN: Thank you. Good morning. Since it's Friday, I thought I'd review some of the basic numbers of the response and talk a little bit about some strategic issues regarding the skimmers which are becoming increasingly important in this response as it spreads out (inaudible). Be glad to answer any questions you may have for me at that point.

Just to summarize where we're at on this Friday regarding people—about 25,000 are on the ground down there. This has become the largest oil spill response in our nation's history. We have over 1,200 Coast Guardsmen, 1,400 National Guardsmen, 21,000 contractors and 700 volunteers.

A tremendous amount of equipment has flowed into the area. Most notably, we now have 400 skimmers on duty and around the gulf, 500 barges, 2,500 government and contract vessels and more than 2,000 vessels of opportunity utilizing local watermen and their knowledge and their vessels, 64 aircraft and 2.7 million feet of boom either deployed or staged and ready to deploy.

We're also removing as much oil as we can from the surface around the well site as you know and then further out as we get towards shore, significantly increasing our skimming capability.

We have skimmed, to date, about 18 million gallons of oily water—the oil has to be decanted from that [and] our yield is usually somewhere around 10 or 15 percent on that. We have burned 3.8 million gallons of oil. We've applied over a million gallons of dispersant.

We're starting to limit the dispersants on the surface to where we need it for safety reasons—for putting down volatile organic compounds or when we have a spill of such magnitude where dispersants have a direct affect in trying to limit our dispersant application to the subsea injections and over 4 million gallons have been recovered either through the riser insertion tube or our containment cap so far.

We continue to try and mobilize resources. I've impaneled a strategic resource team to take a look at our assets completely around the—all around the country. They've been working on this for several weeks. Just to give you an idea of what's in the national inventory and we're going to have some meetings later on today and through the week in about how we might want to redeploy assets and how that might happen in the country.

Nationally there are a little over 2,000 skimmers or skimming type vehicles out there that we—that are potentially available for use. Probably a little over 430,000 feet of ocean boom that is a heavy duty boom and probably about 3.1 million feet of near-coastal boom listed in the oil spill response organizations are required to be on an index that the Coast Guard maintains.

What we're going to be doing over the next couple of days is doing the risk analysis. What we can bring to the area and also the international assets that were seeking, and try and come up—the way to mass our forces more effectively, especially in the area between the shoreline out to about 50 miles. As the oil gets—or disaggregates into smaller flows and we're trying to figure out how to attack that with more skimming capacity and capability moving forward.

As you know, we've got part of the work done out of the flow rate technical group. The work continues and we're going to be aggregating that plus making adjustments for the—whatever increase there might have been after the cut in the riser pipe.

We also are looking to put pressure gauges down on the blow out preventer and see if we can come up with an actual empirical way to take data from the pressure readings and corroborate what might have happened and the difference between the flow before and after the riser cut.

And that will all continue and, as I said, immense operation going on down there and we are also deploying teams today—and will be next week—under Tracy Wareing, [head of] our integrated services team, to take a look at the claims processing, and that continues with our oversight and work with BP.

With that, I'd be glad to take questions.

Q: Admiral, thank you for taking our questions. At the briefing on Monday you topped it off by saying that the Discovery Enterprise and the Q4000, which is in route right now, will have a combined production capability—or capacity of 20,000 barrels per day. Now your scientists are estimating that the flow of oil is at least 25,000 and 30,000 barrels and maybe 40,000 barrels today. Isn't it true that today, 50 days after the leak was discovered, if you had a perfect seal, in fact if you were getting everything through that pipe (inaudible) that you could, you still don't have the capacity topside to deal with that?

ADMIRAL ALLEN: Well, first of all, I think we're still dealing with the flow estimate and we're still trying to refine those numbers. One portion of the work as we've just indicated came up with a higher flow rate.

As it stands right now, the actual production capability at optimum for the Discovery Enterprise and the Q4000—if they're operating at maximum efficiency—is 18,000 and 10,000 so that's 28,000.

We have directed BP to provide us a plan to increase capacity and also to reach redundancy. We got that plan as I told you—or we'll be completing the review of that today and later on today we will put out a statement regarding our review of that plan and the way to move forward. But we have told BP that we need to not only increase capacity as we're able to bring the flow rate up, but also redundancy.

We hope to—by the time we get to the new system put in and then—I talked yesterday about the floating riser pipe and new production tankers, we should be in the range of somewhere between 40 and 50,000 barrels a day with that system once it's in place. The issue is for BP to move quickly to establish capacity and redundancy so as we're able to increase the flow, they've got the capacity to produce it.

Q: So if you had had these numbers earlier, perhaps, wouldn't it make sense to have that capacity there now?

ADMIRAL ALLEN: When we brought the capacity to scene that was available the actually—the tankers that have the dynamic positioning system they can use with this floating production platform that we talked about are actually being brought from the North Sea, but because the way they produce oil in the gulf—and that a lot of it is piped in—we don't use the same type of shuttle tankers that they do in the North Sea and they're going to be required to kind of handle this production, that's the reasons (inaudible) brought from other parts of the world. I say we—it's collectively this industry, everybody.

Q: Admiral?

ADMIRAL ALLEN: Yes.

Q: I have a series of question about the skimmers.

ADMIRAL ALLEN: Yes.

Q: Are you—are you using—are you over (inaudible) that are sort of been (inaudible) and what requirements are—what criteria are you using to decide which ones you are using?

ADMIRAL ALLEN: That's exactly what we're doing. We call these vessels of opportunity. A lot of the—when you look at skimmers, some skimmers are what I call self-contained, it's actually a vessel that has skimming capability, but other systems are booming systems that you tow behind any vessel, you just have a way to evacuate it. And what we're trying to do is get these skimming—this skimming equipment in the hands of the vessels of opportunity operating out there and as you know, we have over 2,000 operating and then have a collection barge or a vessel nearby that can come over and basically vacuum the oil out and they can continue working. That's exactly what we want to do.

So it depends on the type of boat—we've got the capability to tow the equipment we need, there's some training of the operator and how to deploy the boom, there's also some safety training related to how you work around that type of oil, but that is exactly what we're about.

Q: (Inaudible) ...

ADMIRAL ALLEN: (Inaudible), we'll get back (inaudible).

Q: Do you still trust Tony Hayward?

ADMIRAL ALLEN: You know I get the trust word all the time. The fact of the matter is we have to have a cooperative, productive relationship for this thing to work moving forward. When I talk to them [and] I ask for answers, I get them. You could characterize that as trust, partnership, cooperation, collaboration or whatever, but this has to be a unified effort moving forward if we're going to get this thing solved.

Q: So yes?

ADMIRAL ALLEN: If you call that trust, yes.

Q: (Inaudible) yesterday local Louisiana officials told the Senate subcommittee [about] frustrations with the federal government's response, the mayor had to choke back tears describing his frustration and the parish president said he still didn't know who was in charge, BP or the Coast Guard. Said that he spent more time fighting BP officials and Coast Guard officials (inaudible) to oil. What's going on with the command structure?

ADMIRAL ALLEN: Several weeks ago we deployed Coast Guard liaison officers to every parish president. So any time one of those parish presidents has a problem, he can turn to a Coast Guard officer who has direct contact with the incident command posts at (inaudible) and can get whatever he needs solved. They also have connection to the BP folks whether it's regarding planes or anything else.

So I would [advise these] gentlemen—say, give me what your problem was, who did you ask and what happened and I'd be able to respond to you. But we've had Coast Guard officers standing next to those guys for three weeks.

Q: You're not hearing any of this frustration?

ADMIRAL ALLEN: We have a call every evening with all of those parish liaison officers, specifically in Louisiana, and we work the issues overnight—they have a conduit to us—the parish presidents have a conduit directly in to the national incident command and the administration every night on a conference call. Okay?

So I'd be glad to deal with the specific issues that they raised, but I met with them, I met with the President—we've been responsive, we're proud of the Coast Guard officers there and if they have specific issues they'd like to raise with me I'd be happy to do that.

Q: Admiral, back on skimmers, in terms of the Jones Act ...

ADMIRAL ALLEN: Yes.

Q: Have you waived that? Are you using foreign vessels?

ADMIRAL ALLEN: Whether it's involving skimming capability, offshore supply vessels or tankers or whatever we need and dredges for Louisiana, we are more than willing to consider Jones Act waivers, but we need to have a little bit of homework done upfront—has there been an assessment of national inventory, are there any other alternative methods to provide those platforms? Are there issues regarding crewing or anything else? And nobody has come to me for a Jones Act waiver yet, but I've told everyone we are prepared to consider them should that become necessary.

Q: Is there an element of too many vessels in the water, maybe running into each other?

ADMIRAL ALLEN: I'd say right at the well site itself there's a limit to how much activity you can bring there, because we've got the Discover Enterprise—it's actually producing oil. We're going to have the Q4000 offset, that's a mobile drilling unit. We've got Development Driller III which is doing the primary relief well [and] we've got the Development Driller II drilling the second relief well. All of those platforms use Remotely Operated Vehicles [ROVs], so any one particular time you could have 16 to 20 ROVs, and every ROV has a platform above it that's being operated from and, having been out there on many occasions, you can have anywhere from 25 to 30 vessels about two square miles so there is an issue about deconfliction of that space. There's an issue about deconfliction of the space on the sea floor regarding ROVs. When you move beyond that we're not constrained and therefore as much skimming capacity as we could bring there anywhere else is what we would want to do.

Q: Can you just clarify? You said you were planning—you were hoping to capture 40 to 50,000 barrels of oil a day by what period of time and how much of that would (inaudible) ...

ADMIRAL ALLEN: They're incrementally building it out. The proposal was given to us by BP—[it] is an incremental build-out of capacity, including bringing in production facilities and shuttle tankers that are not normally used in the Gulf of Mexico to the scene. In fact they're in route right now.

So between the middle of June and the first week or so of July, we're going to start incrementally building out a new mooring system and then production vessels that will be linked to shuttle tankers that can accommodate a greater flow rate and at that point, once we know we can do that, we will probably shift from the containment cap we have right now to a more hard cap which will help us to capture more if not all of the oil that's coming out of the well head.

Q: Can you give a slightly better idea of timing and (inaudible) ...

ADMIRAL ALLEN: Well, we're in the process of giving them feedback on their timelines and their proposal right now. That was the letter that we required them to have to us in 72 hours. We got that night before last and we'll probably be [looking] again later today once we—once [Department of Interior] Secretary [Ken] Salazar and [Department of Energy] Secretary [Steven] Chu are looking at it this morning—we're having a conference call later on, to make sure we understand the time elements, is it soon enough, do we want them to do it quicker, the capacity (inaudible) the new flow estimates and then properly tasking them out.

Q: But BP is estimating 40 to 50,000 barrels a day then?

ADMIRAL ALLEN: Capacity at the end.

Q: Capacity or production?

ADMIRAL ALLEN: I'm sorry, production, yes.

Q: They expect to capture that much to do that?

ADMIRAL ALLEN: Yes, and they need the shuttle tankers because the production platforms are going to have to ship it by hose over to the shuttle tanker and then you have to be going ashore.

Q: So we assume that 40 or 50,000 is their assessment of the flow now?

ADMIRAL ALLEN: That's what they've proffered in the plan that we are reviewing because we asked them for it. We're not reconciling what they gave us against the flow rate numbers, the timelines, reconciling all that to see if the plan they've given us is appropriate and meets the requirements.

And we will probably also require them to be flexible in the future as we get better—we're going to continue to refine the flow rate numbers.

Q: Well, where did they get that 40 to 50 number then?

ADMIRAL ALLEN: They brought in systems that had a generic capacity of X, which in this case was 40 to 50, and that was well over and above what the flow rate numbers were. As the flow rate numbers approach that, we're going to have to be flexible and adaptable in the amount of production capability they're going to have.

Q: So can you tell us a little bit about the letters you wrote to BP inviting us to this White House meeting? A that the president's idea? Was that his order to you? And Tony Hayward responded to that and neglected to be there?

ADMIRAL ALLEN: Well, I've had several conversations with Tony Hayward about it. In fact there'll be some more conversations, they'll start laying out the agenda, what will be specifically discussed—there are issues on both sides [and we] want [it] to be a very focused meeting—want

to come out with some measureable outcomes related to advancing the issues that both BP and the administration have, and that continues to be a work in progress right now and I'm in contact with BP.

Q: Was it the President's idea to have this meeting?

ADMIRAL ALLEN: Well, I think we all collectively decided it was time to sit down and talk. I think—I've been interacting with the board of directors and Tony Hayward routinely. If it's not Tony, I deal with [Robert Dudley], who is the managing director on the board and I think everybody thought it was an appropriate time to sit down and talk about the issues and that's what we're going to do.

Q: But—but BP has RSVP'd yes?

ADMIRAL ALLEN: Yes, we're working on it.

Q: Is it your assumption that the riser cut has dramatically increased the flow?

ADMIRAL ALLEN: You know there's conflicting opinions—we actually have scientific groups that some say negligible and some say maybe more than we thought. That's the reason what we want to do is put these sensors down there and get the pressure readings and that's being dealt with by Secretary Salazar and (inaudible) with the BP folks. They actually want to deploy those with an ROV in the next few days and get pressure readings that can validate what we think is actually coming out of the riser pipe. Get some empirical data then.

Q: So when Salazar said four or five percent, he didn't really have any research or evidence?

ADMIRAL ALLEN: Well, if you look at the pressure readings we were taking before the top kill exercise, what we need to do is we need to go down and retake the pressure readings. After we finish the top kill we were all about the pressure readings, if you remember at that point. When we went to the containment—went to production, we want to go down and get another set of pressure readings and see where we're at and that will give us better information on it as far as estimating the flow based on actual empirical measures of pressure.

Q: Sorry, I don't want to harp on this, but how many vents are now exposed when that's (inaudible) ...

ADMIRAL ALLEN: One.

Q: Just one? And the reason that it's only one to this remains because..?

ADMIRAL ALLEN: Some concerns about the stability of the cap itself—what they call chatter. The amount of pressure that might build up in there, also not wanting to create some kind of (inaudible) differential that will cause a problem with hydrates and they're slowly again ratcheting the choke up.

Q: But it's not—but it's not because they can't handle the flow of ...

ADMIRAL ALLEN: Well, they can handle more production. They can (inaudible).

MODERATOR: Last question here.

ADMIRAL ALLEN: Let's go to the phone. Operator, you can begin.

Operator: The first question comes from the line of Joseph Michaels with (inaudible).

Q: Good morning. We asked the question earlier in the week about—just very quickly, how many birds and other animals had been cleaned and treated thus far and I was wondering when you might have an update for that and also there were reports and video yesterday about a whale that washed up on a beach in New York, and I wanted to know what you know about the possibility that that is oil spill related and then finally, what the chances are that you will attend next week's White House meeting with President Obama and the BP officials and if so, what do you and the President hope to learn from that meeting that you do not already know now? Thank you.

ADMIRAL ALLEN: First of all, we'll give you an update on the list—I didn't bring the wildlife numbers with me. Any time we have a marine mammal death anywhere in the vicinity of this event there are always concerns about whether or not it was related to hydrocarbons. So they said there's a necropsy going on with that whale.

I will reach out actually through (inaudible) and NOAA [National Oceanic and Atmospheric Administration] and see if we can ascertain if there's any causality between the spill, but I would say, if it's in New York that would probably be a low probability but if there's any concern about it we will—we will of course check it out.

Regarding the meeting, I would anticipate I would be involved in that meeting and the agenda is being developed. There are a list of concerns on both sides and we're working through that today so it would be a little premature at this point to exactly say how the meeting will be focused because it's going to have to be a combination of BP issues and the issues we want to raise and that's a work in progress and that's on my work list for today, as a matter of fact.

Next question?

OPERATOR: Your next question comes from the line of (inaudible) from Bloomberg.

Q: Hi, thank you yes. This is (inaudible) from Bloomberg. I wanted to ask about the estimates for the cleanup costs. How much do you think has been spent on clean up so far? And I mean everything, like the (inaudible) and the skimmers and clean the beaches and how much do you think it might cost in total? Thank you.

ADMIRAL ALLEN: Thank you. Well, I can tell you the federal costs incurred that are being paid for also (inaudible) trust fund are approaching about \$130, \$140 million right now. As far

as BP's cost, I think those are available, I just don't happen to have those with me and I think as far as estimating overall costs of the response, as long as we don't have that well capped, we're going to keep pouring assets in there. So I think at this point it's—I would call it indeterminate, but as—we will update the figures and get those to you. Thank you.

OPERATOR: Your next question comes from the line of (inaudible) from (inaudible).

Q: Hi, I'd like to know where is the oil going to be taken to and dropped off at and you know at which refineries will they go to—will it go to and will the crew that needs—that goes to these refineries need to be specially treated for example to get the water out?

ADMIRAL ALLEN: Well, the way the—the way the oil produced is it's brought to the surface in the Discover Enterprise and at that point the natural gas is separated from and it is flared off. There's—it's like a Bunsen burner basically. And then the rest of the oil is separated from water and sediment and then it is shifted to a tanker and taken to shore in a refinery. I do not know the exact refiner and how that is done, but by the time it leaves the Discover Enterprise, it is crude oil basically ready for delivery at the refinery and further production and I will find out where they're actually having it produced in and get that back to you. My guess is it probably depends on the capacity of the refineries and it may not be the same one every time, but we'll get that information to you.

Q: Thanks.

MODERATOR: Operator, this will have to be the last question.

OPERATOR: Your next question comes from the line of (inaudible) from Reuters.

Q: Good morning, Admiral. Thanks for taking my call. I want to go back to the 40,000/50,000 barrel per day capacity. I think what I'm getting from what you said this morning is that the vessels that are coming—that will add that—they will provide that capacity, is that the hurricane-ready system—the Toisa Pisces and the Loch Rannoch?

ADMIRAL ALLEN: That is correct. I wouldn't say hurricane ready, I would say they're more hurricane durable than the current system. We're going to have to make a critical decision at some point whether or not we keep production going.

Let me walk you through immediate timeline, little summary might be easier to understand.

Right now from the Discover Enterprise, we're operating in a range of 15 to 18,000 barrels a day of capacity. We're right about 15,000 barrels—they are rated at their most efficient operation at 18. The Q4000 we're anticipating will bring 5,000 barrels on but it has the capacity to go to 10. So the potential capacity between those two which will be operational by the end of next week will be 28,000 barrels per day.

We've additionally asked them to bring in a second processing vessel to be able to work with the Q4000. It's a vessel called the clear leader, that will add additional 10,000 capacity a day. So towards the end of the month of June, we will be up at around 38,000 barrels a day capacity.

That will ultimately be replaced by the new containment system, which will consist of the new riser (inaudible) system and the flexible hoses which will allow us greater capacity but also the ability to disconnect quickly in the case of heavy weather and that will be the Toisa Pisces and the Loch Rannoch. The Loch Rannoch will be the shuttle tanker, that's in route to the North Sea right now. The Toisa Pisces is being converted for production and again, they'll be flaring gas off and producing oil and transferring it to the shuttle tanker.

There will be another pair of a producer and a shuttle tanker being acquired because we require redundancy and that will be the Helix Producer and the tanker has yet to be identified. Between the two of them, they will have a capacity between 20 and 25,000 barrels a day. If you add that up, it's between 40 and 50. That takes you from now to approximately mid July to build that second system out. Is that responsive?

Q: Yes, yes. Thank you, Admiral. I just want to make one more sure thing I'm clear on.

ADMIRAL ALLEN: Yes.

Q: So the combination of the Toisa Pisces and the Loch Rannoch will replace the Discover Enterprise and Q4000 and the (inaudible)?

ADMIRAL ALLEN: That's correct. We ...

Q: Okay.

ADMIRAL ALLEN: The reason we're replacing it—let me explain it because it is a little confusing, the current production structure has a fixed riser pipe coming from the well headed up to the Discover Enterprise and we're going to increase the capacity we have right now by taking those choke and kill lines that we were forcing mud down during the top kill operation, we're going to reverse the flow and suck oil out of them and we're going to bring that up to the Q4000 and that's how we're going to increase production without having to get away from the fixed riser pipe. We're actually going to create a hose that comes off to the side and goes up to the Q4000.

Ultimately, we don't want a fixed riser pipe. The Discover Enterprise is basically locked to the bottom of the sea by the riser pipe and the containment cap to the well head. And what we are constructing for the next containment strategy is a riser pipe that is anchored to the bottom of the ocean and then a buoy on the top, but it doesn't go quite to the surface, so we have a subsea section of riser, about 4000 feet long and we have a flexible cable from the bottom of that that goes over to the well head through a permanent cap and then a flexible hose that comes off the top up to the production vessel or vessels when there's two of them, and then they will process and offload the tankers.

These will be larger vessels with better sea keeping capability and in particular, the Loch Rannoch has what we call dynamic positioning capability. That is the same capability that is on the drill rigs that keeps them right over the spot when they're drilling with a bunch of thrusters that are connected to GPS and computers. They need that because if they're going to continually transfer to the tanker as the source of storage, that tanker has to be right beside them and can't move very far. That's the reason these are being brought from the North Sea because that is not the usual form of transfer in the Gulf. Was that helpful?

Q: Yes, yes. And I'm sorry, Admiral, just one more. The Clear Leader, that's a drill ship, correct?

ADMIRAL ALLEN: The Clear Leader—yes it's a—yes, it's very similar to the Discover Enterprise, that's correct.

Q: OK, OK. And will the Clear Leader stay onsite? Is—I'm—one thing I'm—last thing I'm confused about is we've got the Toisa Pisces ...

ADMIRAL ALLEN: Right.

Q: And the Loch Rannoch coming and that's going to be part of the floating riser system. So that—the Q4000 will no longer be used at that point. But will either of the drill ships still be used?

ADMIRAL ALLEN: No, at some point we'll make a transition and it will be a time where it's going to be pretty crowded out there, as you can imagine, this is going to be very, very carefully staged and sequenced. But we will move from the two production vessels, the Discover Enterprise and the Clear Leader and the Q4000 will be removed and the Helix Producer and the tanker, yet to be named, and the Toisa Pisces and the Loch Rannoch will replace that with two production platforms and two tankers to off load to, that's the redundancy and the capacity we require due to the floating riser system. That better?

Q: Okay, thank you so—yes, that's wonderful Admiral. Thank you so much. So the actual burning off of oil at the Q4000l, that's not going to last very long, maybe a couple of weeks.

ADMIRAL ALLEN: That is the strategy, to increase capacity and create redundancy for the Discover Enterprise, that's correct.

Q: Okay, thank you so much, appreciate it.

ADMIRAL ALLEN: Thank you.

MODERATOR: Thank you, everyone.

END